

## Message Text

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ORIGIN XMB-07

INFO OCT-01 EA-11 ISO-00 EB-11 TRSE-00 AID-20 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 RSC-01 OPIC-12 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 /091 R

66619

DRAFTED BY XMB:DRAMBACH; JCRUSE

APPROVED BY EB/OCA/REP:GPWILSON

XMB:WCSAUER

TREAS: RPELIKAN(INFORMED)

EB/IFD/ODF:RSGELBARD

----- 097537

P 291552Z AUG 74

FM SECSTATE WASHDC

TO AMEMBASSY SAIGON PRIORITY

INFO AMEMBASSY SINGAPORE PRIORITY

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FOR CASEY FROM SAUER

E.O.11652:NA

TAGS: EFIN VS

SUBJECT: DRAFT GENTLEMEN'S AGREEMENT

REF: STATE 187346

1. OUR FURTHER COMMENTS ON TREASURY PROPOSAL WHICH IS BEING  
SENT TO YOU TODAY FOLLOW:

2. PARAGRAPHY 6E - EXCEPTION FOR OFFICIAL DEVELOPMENT  
ASSISTANCE. RATHER THAN ATTEMPT TO COVER POSSIBILITY OF EVASION  
THROUGH MIXED CREDITS BY SCALING TERMS DOWN TO AID LEVELS,  
(AND EVEN HERE 16 YEAR CUT-OFF PROPOSED IS WEAK CONSTRAINT)  
WE FEEL FAR MORE EFFECTIVE COURSE WOULD BE TO DEFINE SUCH  
CREDITS AND MAKE THEM CLEARLY SUBJECT LIMITATIONS OF AGREEMENT.  
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ONE POSSIBLE TEXT FOR THIS WOULD BE: "EXPORT FINANCING OF

PROJECTS OR PRODUCTS THROUGH A COMBINATION OF OFFICIALLY SUPPORTED EXPORT CREDIT AND OFFICIAL DEVELOPMENT ASSISTANCE (I.E. MIXED CREDITS) WILL BE IN ACCORDANCE WITH THE RATES AND MATURITIES PROVIDED FOR IN THIS AGREEMENT."

3. PARAGRAPH 6G - EXCEPTION FOR PROJECTS INVOLVING \$75 MILLION IN IMPORTS IF INTEREST RATE IS ABOVE 9 PERCENT. IF THE \$75 MILLION LIMITATION HAD BEEN IN EFFECT FROM FY 1971-74 -).9 5 30 PERCENT OF THE TRANSACTIONS ON WHICH EXIM OFFERED MORE THAN 10 YEARS WOULD HAVE BEEN DISALLOWED. MORE RELEVANTLY, 65 PERCENT OF STEEL PROJECTS AND 70 PERCENT OF POWER PROJECTS WOULD HAVE BEEN DISALLOWED. RE POTENTIAL BUSINESS, FROM 15 PERCENT - 30 PERCENT OF THE PROJECTS PRESENTLY UNDER CONSIDERATION WOULD BE DISALLOWED BY A \$75 MILLION LIMITATION.

4. PARAGRAPH 6F - EXCEPTION FROM LIMITATIONS PROVIDING ALL SIGNATORIES CONCUR. THIS PARAGRAPH SHOULD BE EVALUATED IN CONJUNCTION WITH 6G. CONSIDERED SOLELY ON OWN MERITS, HOWEVER, 85 8.043 3 7 - ?38,& 9034-589,-)6 8.04-:58:-?)3 -,\$ OMEWHAT DEMEANING TO HAVE ONE OFFICIAL AGENCIES' DECISION SUBJECT TO VETO BY THE OTHERS. THE EUROPEANS MAY FIND LATER FEATURE EVEN MORE DISTASTEFUL.

5. FINALLY, WE ARE CONCERNED ABOUT IMPLICATION FOR BANK'S LENDING POLICY THAT FLOW FROM INTERPRETATION IN PARA 4 OF WHAT 8 PERCENT INTEREST RATE LIMIT WOULD APPLY TO.

6. THE LEGAL STAFF HAS REVIEWED DRAFT AND FINDA THAT WHILE GENERALLY SATISFACTORY, EXCEPT FOR COMMENTS ABOVE, THERE ARE SOME AMBIGUITIES WHICH COULD BE RESOLVED, IF DESIRABLE, BY MORE CAREFUL DRAFTING. KISSINGER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** INSURANCE, CREDIT, AGREEMENT DRAFT, PROGRAMS (PROJECTS)  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 29 AUG 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** martinml  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974STATE189892  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** DRAMBACH; JCRUSE  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D740239-0969  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t1974087/aaaaafop.tel  
**Line Count:** 93  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ORIGIN XMB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** STATE 187346  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** martinml  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 09 AUG 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <09-Aug-2002 by cunninfx>; APPROVED <12 MAR 2003 by martinml>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** DRAFT GENTLEMEN'S AGREEMENT  
**TAGS:** EFIN, VS, XMB  
**To:** SAIGON  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005